

City of Taylor, Michigan

**Federal Awards
Supplemental Information
June 30, 2006**

City of Taylor, Michigan

Contents

Independent Auditor's Report	I
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	2-3
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	4-5
Schedule of Expenditures of Federal Awards	6-7
Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards	8
Notes to Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs	10-15



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Independent Auditor's Report

To the Honorable Mayor and Council Members
of the City of Taylor
City of Taylor, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Taylor, Michigan as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 12, 2006. Those basic financial statements are the responsibility of the management of the City of Taylor, Michigan. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Taylor, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

December 12, 2006



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**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

To the Honorable Mayor and Council Members
of the City of Taylor
City of Taylor, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Taylor, Michigan as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Taylor, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting.

However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Taylor, Michigan's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 06-I.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable condition described above is not a material weakness.

To the Honorable Mayor and Members
of the City of Taylor
City of Taylor, Michigan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Taylor, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

December 12, 2006



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**Report on Compliance with Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

To the Honorable Mayor and Council Members
of the City of Taylor
City of Taylor, Michigan

Compliance

We have audited the compliance of the City of Taylor, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. The City of Taylor, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Taylor, Michigan's management. Our responsibility is to express an opinion on the City of Taylor, Michigan's compliance based on our audit.

The City of Taylor, Michigan's basic financial statements include the operations of the Taylor Housing Commission, which received federal awards that are not included in the attached schedule of expenditures of federal awards for the year ended June 30, 2006. Our audit, as described below, did not include the operations of the Taylor Housing Commission because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Taylor, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Taylor, Michigan's compliance with those requirements.

As described in items 06-2 through 06-5 in the accompanying schedule of findings and questioned costs, the City of Taylor, Michigan did not comply with requirements regarding reporting, Davis-Bacon, fair share objectives, and cash management that are applicable to its Brownfield Cleanup Revolving Loan Pilot Grant. Compliance with such requirements is necessary, in our opinion, for the City of Taylor to comply with the requirements applicable to that program.

To the Honorable Mayor and Members
of the City of Taylor
City of Taylor, Michigan

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Taylor, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the City of Taylor, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Taylor, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Taylor, Michigan's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 06-2, 06-3, and 06-5.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Of the reportable conditions described above, we believe items 06-2, 06-3, and 06-5 to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

January 10, 2007

City of Taylor, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development				
Direct program - Community Development Block Grant - Entitlement Grant:				
Program year 2004 - B04-MC-26-0015	14.218	N/A	\$ 620,000	\$ 537,079
Program year 2005 - B05-MC-26-0015	14.218	N/A	584,794	<u>479,244</u>
Total U.S. Department of Housing and Urban Development				1,016,323
National Parks Service - Department of Interior Land and Water Conservation Fund - Heritage Park Pathways	15.916	LW 02-068	321,500	160,750
Office of Safe and Drug-free Schools, Department of Education - Passed through Taylor School District - Safe and Drug-free Schools and Communities Act of 1986 TTOPS (4/01/05-3/31/06)	84.186a	04-82002	7,029	7,029
U.S. Department of Justice:				
Michigan Department of Community Health - Passed through County of Wayne:				
23rd District Court/Taylor Drug Court Grant 10/1/05-9/30/06	16.579	72186-06-B	106,667	46,295
23rd District Court/Taylor Drug Court Grant 10/1/04-9/30/05	16.579	72186-1-04-B	106,667	<u>28,207</u>
Total Michigan Department of Community Health				74,502
Passed through the State of Michigan - Office of Criminal Justice - DRANO Enhancement Grant:				
State Police pass-through grant - 10/1/04-9/30/05	16.738	70978-4-04-B	42,993	10,618
State Police pass-through grant - 10/1/05-9/30/06	16.738	70978-5-06-B	32,862	<u>28,409</u>
Total Office of Criminal Justice - DRANO Enhancement Grant				39,027
Bureau of Justice Assistance - Local Law Enforcement Block Grant:				
2004 LB-BX-1447 #9	16.592	N/A	27,567	27,567
LLEBG #72219-1-04-B	16.592	N/A	8,500	8,500
Passed through Byrne Justice Assistance Grant/Wayne County 2005-DJ-BX-0565 (JAG)	16.592	N/A	27,567	<u>27,567</u>
Total Bureau of Justice Assistance - Local Law Enforcement Block Grant				63,634
Bureau of Justice Assistance - Passed through Wayne County - STOP - Violence against women 10/01/05-9/30/06	16.585	DV97820031-1	38,400	38,400
Bureau of Justice Assistance - Bulletproof Vest Partners 2004	16.607	N/A	12,825	<u>-</u>
Total Bureau of Justice Assistance				102,034
Federal Equitable Sharing Program - Justice	16.unknown	N/A	-	<u>1,364,172</u>
Total U.S. Department of Justice				1,579,735

City of Taylor, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2006

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Treasury:				
Federal Equitable Sharing Program - Treasury	21.unknown	N/A	\$ -	\$ 501,471
U.S. Custom Service Outbound Currency Task Force	21.unknown	N/A	-	<u>13,835</u>
Total U.S. Department of Treasury				515,306
U.S. Department of Transportation - Federal Aid to Urban Systems (FAUS) - Passed through Michigan Department of Transportation:				
Goddard Road Transportation Enhancement - 02-5000	20.205	STP-0282(332)	902,080	9,557
Michigan State Police - Office of Highway Safety Planning:				
OUIL & Seat Belt Grant 10/1/05-9/30/06	20.600	PT-06-15	22,500	13,602
OUIL & Seat Belt Grant 10/1/04-9/30/05	20.600	OP-05	39,149	2,014
Federal Highway Administration - Demonstration and Evaluation of Rational Speed Limits	20.205	DTFH61-03-H-00130	330,146	<u>127,556</u>
Total U.S. Department of Transportation				152,729
U.S. Department of Agriculture -				
Michigan Department of Natural Resources:				
Emerald Ash Borer Tree Planting Grant 2005	10.664	#05-32	20,000	20,000
Emerald Ash Borer Tree Planting Grant 2006	10.664	N/A	20,000	<u>-</u>
Total U.S. Department of Agriculture				20,000
U.S. Environmental Protection Agency - Brownfield Cleanup				
Revolving Loan Fund Pilot	66.811	N/A	1,000,000	850,655
U.S. Department of Homeland Security:				
Wayne County Homeland Security & Emergency Management Program II Training Grant - Passed Through Wayne County to Taylor Fire Department	97.004	N/A	15,227	15,227
2005 Buffer Zone Protection Program Grant - Passed through Michigan State Police	97.078	N/A	25,000	<u>23,883</u>
Total U.S. Department of Homeland Security				<u>39,110</u>
Total federal awards				<u>\$ 4,341,637</u>

City of Taylor, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

Revenue from federal sources - As reported on financial statements within the governmental funds	\$ 1,933,123
Revenue from federal sources - As reported on financial statements within the discretely presented component units	876,904
Federal revenue not received within 60 days of the current year	23,883
Federal expenditure not received within the current period - Miscellaneous law enforcement grants	15,191
Federal revenue recorded in other revenue accounts	138,285
Federal expenditures reported in the SEFA, but revenue not received in the current period:	
LLEBG	27,567
Federal Forfeiture Justice Funds	951,308
Federal Forfeiture Treasury Funds	405,013
Federal revenue reported in the financial statements, not expended in the current period:	
Emerald ash borer	(20,000)
Miscellaneous law enforcement grants	(9,637)
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 4,341,637</u></u>

City of Taylor, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Taylor, Michigan (the "City") and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount	
		Provided to Subrecipients	
Community Development Block Grant	14.218	\$	49,524

City of Taylor, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☒ Yes ☐ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☒ Yes ☐ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.218	Community Development Block Grant
16.unknown	Federal Equitable Sharing Program
66.811	Brownfield Cleanup Revolving Loan Fund Pilot

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

City of Taylor, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

Section II - Financial Statement Audit Findings

Reference Number	Findings
06-I	<p>Finding Type - Reportable condition</p> <p>Condition - The City did not prepare timely bank reconciliations.</p> <p>Context - This year's audit testing indicated that early in the fiscal year there was a delay of two to three months from the time the monthly bank statement was received until the time certain bank reconciliations were prepared. The problem appeared to be corrected by the middle part of the fiscal year.</p> <p>Recommendation - The City should prepare all bank reconciliations on a timely basis.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The delay early in the fiscal year was partially due to turnover in the bookkeeping function of the finance department. The City has since established procedures to allow for timely preparation and review of monthly bank reconciliations.</p>

City of Taylor, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

Section III - Federal Program Audit Findings

Reference Number	Findings
06-2	<p>Program Name - Environmental Protection Agency Brownfield Cleanup Revolving Loan Pilot - 66.811</p> <p>Finding Type - Material noncompliance; Material weakness</p> <p>Criteria - The City is required to submit quarterly reports to the Environmental Protection Agency. In addition, the City is also required to submit an annual financial status report within 90 days after fiscal year end.</p> <p>Condition - During testing it was noted that the quarterly reports for the periods ended March 31, 2006 and June 30, 2006 were not submitted timely. In addition, the financial status report for the year ended June 30, 2006 was also not submitted timely.</p> <p>Questioned Costs - None</p> <p>Context - The City has not specifically identified an individual whose responsibility is to ensure that the narrative and financial reports are prepared and submitted timely.</p> <p>Cause and Effect - The March 31, 2006 and June 30, 2006 quarterly reports as well as the annual financial status report were not submitted timely as a result of an individual not being designated and held accountable for timely completion.</p> <p>Recommendation - It is recommended that the City appoint an individual to be responsible for understanding the grant requirements including the required reporting timelines to ensure they are timely submitted.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City is presently reviewing the quarterly and annual reporting process and is putting measures into place to ensure timely reporting.</p>

City of Taylor, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
06-3	<p>Program Name - Environmental Protection Agency Brownfield Cleanup Revolving Loan Pilot - 66.811</p> <p>Finding Type - Material noncompliance; Material weakness</p> <p>Criteria - The Davis-Bacon Act requires grantees to ensure that prevailing wage rates are being paid to contractors receiving federal funds greater than \$2,000.</p> <p>Condition - The City failed to ensure that the contractor was monitoring and complying with Davis-Bacon requirements.</p> <p>Questioned Costs - Unknown</p> <p>Context - The City represents that the contractor was monitoring compliance but the contractor was not able to produce the necessary documentation nor was the City monitoring and documenting that it was being done.</p> <p>Recommendation - We strongly encourage the City to ensure that a system is in place on future projects to monitor contractors to ensure that all aspects of the Davis-Bacon Act are in compliance.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City's Economic and Development Services Department, and in particular its Brownfield Group, has had no prior experience with the Davis-Bacon requirements. The current department director had prior experience but was not with the organization during this phase of the project. Procedures will be modified to document compliance with Davis-Bacon.</p>

City of Taylor, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
06-4	<p>Program Name - Environmental Protection Agency Brownfield Cleanup Revolving Loan Pilot - 66.811</p> <p>Finding Type - Immaterial noncompliance</p> <p>Criteria - The grant requires the grantee to submit fair share objectives to the MBE/WBE Coordinator within 30 days of award and be approved by the EPA no more than 30 days thereafter.</p> <p>Condition - The City failed to submit the fair share objectives required by the grant agreement to the MBE/WBE Coordinator.</p> <p>Questioned Costs - None</p> <p>Context - The City has not identified an individual to ensure that the fair share objectives are prepared and submitted timely.</p> <p>Recommendation - It is recommended that the City appoint an individual to be responsible for understanding the grant requirements, including the fair share objectives reporting to ensure it is timely submitted when required.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City's Economic and Development Services Department, and in particular its Brownfield Group, has had no prior experience with the MBE/WBE requirements. The current department director had prior experience but was not with the organization during this phase of the project. Procedures will be modified to document compliance with fair share objectives requirements.</p>

City of Taylor, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
06-5	<p>Program Name - Environmental Protection Agency Brownfield Cleanup Revolving Loan Pilot - 66.811</p> <p>Finding Type - Material noncompliance; Material weakness</p> <p>Criteria - The City is required to spend federal dollars in a reasonable time frame from the time in which the advance funds are requested.</p> <p>Condition - As of December 12, 2006, the City has yet to spend all the money drawn down on June 3, 2005.</p> <p>Questioned Costs - None</p> <p>Context - The City did not recognize that, in order to comply with the grant, it needed to spend the advance funding in a reasonable time frame from the date of the draw.</p> <p>Recommendation - It is recommended that the City only draw down advanced funds based on immediate need (i.e., disbursements expected within 90 days)</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City understood that it had authorization from EPA officials to draw down the entire amount loaned out for this project under the revolving loan program; however, the project is taking longer than expected. The City expects to immediately return any funds that were not used for the project in accordance with the loan agreement.</p>